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FISCAL IMPACT STATEMENT

LS 6036 | **NOTE PREPARED:** Jan 28, 2011
BILL NUMBER: SB 270 | **BILL AMENDED:** Jan 27, 2010

SUBJECT: Hoosier Business Investment Tax Credit.

FIRST AUTHOR: Sen. Walker | **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: This bill provides that a taxpayer may sell, assign, convey, or otherwise transfer the Hoosier Business Investment Tax Credit.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes in the Hoosier Business Investment (HBI) tax credit. DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: *Summary* - This bill would provide for more timely use of HBI tax credits obtained by taxpayers whose tax liabilities are not sufficient to exhaust the credits in one year. As a result, the bill could potentially lead to a significant short-term increase in the use of tax credits beginning in FY 2012. The bill would reduce state Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax (IPT), and Financial Institutions Tax (FIT) liabilities of individual and corporate taxpayers that obtain unused tax credits from other individual and corporate taxpayers. Data is unavailable indicating the amount of outstanding tax credits that are not used from year to year.

Revenue from the AGI Tax on individuals and corporations, the FIT, and the IPT is distributed to the state General Fund.

Background Information - The HBI tax credit is for qualified investments that the IEDC determines will foster job creation and higher wages in Indiana. For credits approved by the IEDC prior to May 15, 2005, the HBI tax credit was equal to the lesser of 30% of the qualified investment, or the taxpayer's state tax liability growth. For credits approved beginning May 15, 2005, the credit is equal to a percentage determined by the IEDC, not to exceed 10% of the amount of the qualified investment made by the taxpayer. The credit is nonrefundable, but unused credits may be carried forward for a number of years determined by the IEDC up to a maximum of 9 years. Unused credits may not be carried back. The credit may be applied against individual or corporate AGI Tax, FIT, and IPT liabilities. The credit applies to qualified investments made for taxable years beginning after December 31, 2003, and ending on or before December 31, 2013. A taxpayer is not prevented from carrying forward an unused credit to a taxable year beginning after December 31, 2013, for a qualified investment made before the credit's expiration. For tax year 2008, there were 282 individuals and corporations that claimed about $9.6 M in HBI tax credits.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: OFMA Income Tax databases.

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